



E-Commerce Assortment Planning and Merchandising 101

I find myself scrolling through product after product on many websites. From my perspective, as a retail consultant and as a consumer, basic assortment planning and merchandising is often getting lost amid all the wonderful technology in the e-commerce space. Many online retailers are forgetting (or never learned) the art and science of assortment planning and merchandising. I see opportunities for basic improvement in these areas every day.

Assortment planning

Many e-commerce businesses suffer from “over assortment”. In brick and mortar environments the assortment is naturally limited by space and by inventory investment. In the old catalog business the assortment is limited by paper, printing, and postage cost—another form of space—and inventory investment. These traditional limits on assortments don’t exist in the same way online. In fact, it’s fairly easy to put an image online and begin to sell the product.

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For discussion purposes, I’ll break e-commerce into two worlds, commodity and specialty. Commodities are highly identifiable products or brands. [K2 skis](#) are an example of a commodity. Shoppers search for their skis on Google and they often pick the best price. They arrive at the selected website via the product page. Specialty exists in multichannel and online retailers. Specialty has its own brand (even though they may carry other brands) and often its own private label products. I’ll use [Nasty Gal](#), an apparel retailer focused on young women, as an example since it’s in hyper growth mode. More customers enter a specialty website via the home page versus product pages.

Assortment planning from a customer selection standpoint is more crucial for the specialty e-commerce retailer. But basic merchandising, where the retailer focuses or limits their assortment on behalf of the customer (and the brand), often isn’t a priority. The poor shopper has to scroll down pages and pages of styles if they choose to spend the time. Too much inventory investment and cash flow is another reason to limit the assortment. Customer satisfaction can also be lost by carrying too many styles if one can’t keep the sizes/colors in stock for the customer. I call this the “Yin and Yang” of inventory management—too much or too little. SKU rationalization or culling is the science of assortment reduction. The art of developing your assortment is crucial also. Brand positioning among other things must be considered. (See [“Assortment Planning—Six Factors to Consider When Developing Your Assortment Strategy”](#) for more.)

This is not as true for commodity websites. But commodity websites still have some shoppers entering via the home page versus the product pages. (There is a Google Analytics report which shows this flow and “drop offs” very well.) Most companies still need to manage inventory investment and cash flow along with stock outs and the customer experience.

Merchandise hierarchy and website navigation

Merchandise hierarchy (the way products are organized and categorized in any retailer) is primarily an internal merchandising tool in traditional retail. From my perspective a good merchandise hierarchy has never been more important than it is in the growing e-commerce space. It should be the basis for shopping and navigating the website. I usually suggest that the merchandise hierarchy have no more than five levels (ie division, department, class, style, SKU). An example of this would be a user navigation path of: Women’s, blouses, long sleeve, and then the specific styles are shown—in three clicks. Most often the merchandise hierarchy runs across the top of the website. “Double merchandising” or “browse taxonomy” is also extremely important. This comes in the form of additional “sorts” or “features” often displayed down the

left hand side of the website. Price, brands and colors are all great examples of “sorts”. New, best sellers, SALE, and Holiday are all examples of other “features” that may run down the left hand side of the website or on the home page. All this is much easier with a well thought out merchandise hierarchy focused on the way the consumer shops. (See [“Five Top Tips for Creating a Merchandising or Product Hierarchy”](#) for more.)

Home page presentation

Many websites simply try to do too much on their home page. There are just too many messages. I suggest limiting displayed messages to two or three, in addition to basic navigation. It is important that the messages be prioritized. In general, the first message—

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especially for specialty—is about the brand. The message must illuminate what the brand positioning is and what makes the brand unique. This must be presented in a clear manner on the home page. The second priority should be communicating what is going on right now that’s compelling for your customer. Maybe this is outdoor dining, or maybe it’s a new product or technology. It could also be a sale or other promotion. The final but most important feature is shopping (ie where and how to quickly get to product—

merchandise hierarchy from above). The home page can be treated like the windows and entrance to a brick and mortar store or the cover of a catalog. You want to get shoppers to come in!

Product page presentation

Ever heard the saying “product is hero?” That is certainly true on product pages. Photos must clearly show the product and its features. So often photos are not compelling or they don’t show the product (and true colors). Descriptions (including sizes, colors, fit, and features) must be clear. Remember that in commodity businesses this is where the customer usually enters the website. Because of this, price is probably the most important factor to them. Tools that help compare products, recommend similar products, and show customer reviews are all great. But nothing is as important as showing the product, its features, and price very clearly first! On these pages the customer is in essence in the store or flipping through the catalog. This is where they need to easily see what they want or need in order to buy!

To summarize, there is a wonderful opportunity in e-commerce to improve:

[Assortment Planning](#)

[Merchandise Hierarchy and Navigation](#)

Home Page Presentation

Product Page Presentation

I’d love to hear about your online merchandising successes and needs. I can be reached at Janice@JLSearsConsulting.com or at 206.369.3726.

More about us



ABOUT THE AUTHOR | Janice Sears has served as **Principal** of JL Sears Consulting, Inc. based in Seattle, since 2004. She is also a Principal of **Tag Team Business Solutions**.

Janice brings more than 20 years of **broad multichannel retail and wholesale experience** in merchandising, planning, marketing, finance, and operations to her clients. She is a Certified Management Consultant (CMC), and received her **MBA in Finance** from the University of Colorado.

As a former **Vice President at Eddie Bauer**, she was accountable for \$1.6 billion in annual sales, which included 400+ stores in the US and Canada, catalog and internet sales, along with margin and profit. Janice directed strategic business planning, merchandise planning, inventory and margin management, and led the cross-functional business teams by channel to manage the P&L. She also drove system and business process improvement projects and was integral to marketing, assortment planning and organizational development initiatives.

She served on the **Board of Directors for Big Brothers Big Sisters of Puget Sound** for more than 10 years while being a Big Sister herself. Janice continues to serve on a variety of professional and non-profit boards and is currently a University of Washington Business School Mentor.

Janice is an avid skier and cyclist who writes a [travel blog](#) about her quest to visit all 58 National Parks. She enjoys northwest urban living and time with family and friends from her Seattle home.

ABOUT J.L. SEARS | JL Sears Consulting, Inc helps organizations and business teams boost profitability and productivity through strategic business planning, development of merchandise strategy and implementation of key execution tools.

We specialize in working with multi-channel retail and wholesale clients to craft a roadmap to success in an ever-changing business environment.

Clients include: Belkin, Branders, Charlotte Russe, Crosstown Traders, evo, Griot's Garage, Lucy, Nasty Gal, Outdoor Research, and Sur La Table.

JL Sears Consulting, Inc. is a former member of 1% for the Planet and continues to focus its one percent donation on saving Puget Sound and supporting our National Parks.

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